

MEMORANDUM FOR: Director of Central Intelligence

THROUGH:
MEMORANDUM FOR: Acting Deputy Director (Administration)

SUBJECT : Staff Study on Bonding of Agency Personnel

1. PROBLEM

To determine the continued desirability of present Agency policy with regard to bonding Agency personnel having custody of or authorizing the use of Government funds, ~~it is deemed necessary that the current policies relative to bonding be reviewed.~~

2. FACTS BEARING ON THE PROBLEM

a. Present Agency policy requires that all Certifying Officers be bonded in the amount of \$5,000 [REDACTED] that Agent Cashiers maintain a bond in the form and amount required by the DCI and the Secretary of the Treasury [REDACTED], and that when security or operational considerations permit, all other official custodians of funds ~~will~~ be bonded as recommended by the Comptroller [REDACTED].

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b. Normally, finance officers and other official custodians are bonded for \$10,000 when they are [REDACTED]. All bond premiums are paid by CIA in accordance with the authority contained in Public Law 110, Section 10 (a) (1).

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25X1C

c. All bonds for finance officers, Agent Cashiers, other official custodians, and Certifying Officers are maintained with the [REDACTED] General Agent. All applications for bonds state that the individual is an employee of the Central Intelligence Agency. Actual U. S. home addresses are indicated on the bond, but the place of duty is stated to be either "Washington, D. C." or "outside the continental limits of the United States."

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d. There are at present 41 official custodian bonds, [REDACTED] Agent Cashier bonds, and [REDACTED] Certifying Officer bonds, costing the Agency [REDACTED] annually in premiums. The number of bonds for official custodians constitutes approximately 8% of all known custodians. In addition, there are considerable numbers of personnel in the field to whom funds have been advanced by field custodians which have not been considered in the above percentage.

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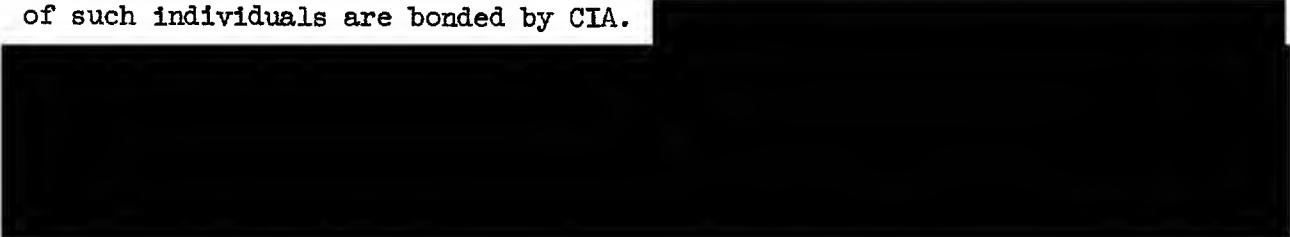
e. No claims have ever been presented to a bonding company by this Agency since its inception.

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3. DISCUSSION

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25X1C a. Each time an official custodian or Certifying Officer is designated the Finance Division, Office of the Comptroller, ascertains whether a surety bond is practicable in view of the cover conditions surrounding the individual assignment. Actually, because of security reasons, only a very limited number of such individuals are bonded by CIA. 25X1C4a



b. Even if all Certifying Officers and official custodians were satisfactorily bonded, it appears that only in a minimum of cases, if any, would CIA ever pursue collection from the bonding company in a case of defalcation, fraud, etc. It is the practice of bonding companies paying a claim to insist upon making an investigation of the circumstances surrounding the loss and to be subrogated to the rights of the assured against the defaulting employee. To deny access to locations and records would abrogate the contractual relations with the bonding company and make our recourse to the company ineffectual. The Agency, in the absence of bond coverage, would have access to the courts for either criminal prosecution or civil suit for recovery of the loss in those cases when security would not prohibit active pursuit of collection, and could perform the function of a bonding company to the extent of taking other action to effect recovery from the individual.

25X1A5a1 c. Informal discussions have been held with a representative of the  to determine if a blanket position bond could be provided to cover all custodians without revealing the names of the individuals covered. It was the opinion of the bonding company's representative that before the company would provide a blanket position bond to the Agency,

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the Agency would be required to obtain special legislation to authorize such coverage. A position schedule bond might not require listing with the bonding company the names or locations of each individual covered but would reveal to a substantial degree the extent and methods of our activities.

d. The amount of bond coverage for individual official custodians now bonded is insignificant in relation to the sums of money to which they have access and accordingly affords no more than a nominal protection to the Agency. The extent of the coverage is insignificant both as to the percentage of official custodians who are bonded and as to the face amount of coverage of individual custodians in relation to the sums of money to which they are responsible. Official custodians bonds are written in the amount of only \$10,000 each and relatively few of such employees are covered because of security considerations and the necessity for frequent changes at overseas stations in the employees designated to handle official funds.

e. One advantage frequently cited for procuring surety bond coverage on employees entrusted with funds is that ~~personal investigations~~ of the employees covered are made by the bonding company before coverage is extended. This reason for bonding is not ^{of significance} applicable to CIA inasmuch as CIA employees undergo very strenuous investigations prior to employment and continual investigations are conducted throughout the period of their employment with the Agency.

4. CONCLUSIONS

a. In view of the fact that security factors preclude both the bonding of many employees by the Agency and the presentation of claims to the bonding companies in actual cases of defalcation, fraud, etc., by bonded employees, it is believed impractical for the Agency to purchase individual bond coverage for its official custodians/ and Certifying Officers.

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b. Likewise, security objections would exist to making claims against any bonding company if the Agency were to procure a blanket position bond covering official custodians and Certifying Officers at all locations.

c. Bond coverage of official custodians at present is only nominal in relation to both the number of such employees and the amount of money handled by them. Because of security and the need ^{for frequent} to transfer or temporarily replace ^{members of custodian} such employees it is not practicable to obtain coverage on all such employees. The value of this coverage is questionable ^{since} as based on past experience it is unlikely that the Agency would present a claim to the bonding company whenever losses were to occur.

d. While all Certifying Officers are bonded in the amount of \$5,000 each, the value of such coverage also is questionable since it is unlikely that the Agency would make a claim against the bonding company under the bonds.

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6. RECOMMENDATIONS

It is recommended that:

a. The procurement of surety bonds for Certifying Officers and official custodians, except Agent Cashiers, concerned with confidential funds be discontinued for security reasons.

b. Since the bonding of Agent Cashiers is a requirement of the United States Department of the Treasury, these bonds be continued.

c. Subject to approval of a. and b., above, the Agency regulations be amended to provide that surety bonds be required with respect to the confidential funds activities of the Agency only for Agent Cashiers.

E. R. SAUNDERS
Comptroller

CONCURRENCES:

Director of Security

General Counsel

Acting Deputy Director (Administration)

Deputy Director (Plans)

ACTION BY APPROVING AUTHORITY:

APPROVED:

Date

Director of Central Intelligence

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21 Apr.

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CENTRAL INTELLIGENCE AGENCY OFFICIAL ROUTING SLIP			
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<div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> APPROVAL <input type="checkbox"/> ACTION <input type="checkbox"/> COMMENT <input checked="" type="checkbox"/> CONCURRENCE </div> <div style="width: 33%;"> <input type="checkbox"/> INFORMATION <input type="checkbox"/> DIRECT REPLY <input type="checkbox"/> PREPARATION OF REPLY <input type="checkbox"/> RECOMMENDATION </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> SIGNATURE <input type="checkbox"/> RETURN <input type="checkbox"/> DISPATCH <input type="checkbox"/> FILE </div> </div> <p style="margin-top: 10px;">REMARKS:</p> <p style="font-size: large; margin-top: 10px;">1 + 2 The TAS will hand carry for necessary concurrences if this is returned to me</p>			

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